



AGENDA DATE: 12/20/00
AGENDA ITEM: 7F

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

ELECTRIC

IN THE MATTER OF THE PETITION OF PUBLIC)
SERVICE ELECTRIC AND GAS COMPANY,)
PURSUANT TO N.J.S.A. 48:3-9 AND N.J.A.C.)
14:1-5.9, FOR AUTHORITY TO ISSUE AND)
SELL SHORT-TERM OBLIGATIONS NOT)
EXCEEDING \$2.0 BILLION AGGREGATE)
PRINCIPAL AMOUNT AT ANY ONE TIME)
OUTSTANDING THROUGH JANUARY 2, 2003)

**ORDER OF APPROVAL
AUTHORIZING ISSUANCE OF
SHORT-TERM OBLIGATIONS**

DOCKET NO. EF00110857

James T. Foran, Esq. And Donald S. Leibowitz, Esq., Newark New Jersey, for Public
Service Electric and Gas Company

Fred S. Grygiel, Chief Economist, Mark C. Beyer, Manager, Leo M. Lim, Supervising
Accountant, Julie Huff, Accountant II, Office of the Economist, on behalf of the
Staff of the Board of Public Utilities

BY THE BOARD:

Public Service Electric and Gas Company (Petitioner), a public utility of the State of New Jersey, by petition filed on October 31, 2000, has requested authority, pursuant to N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9, to issue short-term obligations consisting of: (1) borrowings from banks, trust companies, insurance companies or other lenders; and (2) promissory notes (commercial paper) (together, "short-term obligations") not to exceed \$2.0 billion aggregate principal amount at any one time outstanding, through January 2, 2003.

The request by Petitioner in the instant proceeding is virtually identical to that in Docket No. EF99100795 wherein, by Order dated December 7, 1999, the Board authorized Petitioner to issue short-term obligations, not exceeding \$2.0 billion aggregate principal amount at any one time outstanding, through January 2, 2001.

Petitioner states that it is engaged in the improvement of its physical plant and facilities necessary to provide safe, adequate and proper service to the public of light, heat and power. Permanent financing and refinancing for such continuing facilities improvement program are provided through the issuance of long-term debt and equity securities and by internally generated cash. In addition, Petitioner has a need to fund its utility transactions, including working capital, purchase of power and fuel and the payment of state income tax, TEFA and

other taxes, temporary funding of maturing long-term debt and to manage mismatches, which may occur between its cash receipts and its cash outflows. In order to employ internally generated cash efficiently and to provide the flexibility necessary to effectively manage cash flows, it will be necessary for Petitioner to continue to issue short-term obligations. The requested authority will provide Petitioner with the flexibility it requires to meet continued cash needs and manage cash flows during the regulatory transition process in 2001 and 2002.

To the extent that any short-term obligation is a renewal or extension of a short-term obligation theretofore issued, such renewal or extension could be payable later than twelve months after the date of the original instrument. Petitioner contemplates that, within the limitation of the \$2.0 billion aggregate principal amount at any one time outstanding, such short-term obligations will be issued, extended or renewed from time to time through January 2, 2003 without further application to or approval of the Board.

Petitioner asserts that the interest or discount rate applicable to such short-term obligations will be the best rate obtainable by Petitioner for the type of transaction involved. In the case of borrowing from domestic banks and trust companies, such rate will normally be referenced to the prime commercial bank rate and in the case of commercial paper, the rate will normally be the market rate or discount rate for commercial paper of comparable quality and maturity.

Petitioner indicates that the proceeds from the issuance of such short-term obligations will be added to the general funds of Petitioner and will be used for utility purposes, including working capital, interim financing of state income tax, TEFA and other tax obligations, purchase of power and fuel, temporary funding of maturing long-term debt and payment of other current utility transactions.

The Board, after its investigation, FINDS that:

1. The purpose of the short-term obligations are necessary and proper;
and
2. The Petitioner's financing is appropriate at this time.

Therefore, after investigation, having considered the record and exhibits submitted in these proceedings, is satisfied that the action proposed to be taken by Petitioner as indicated above, and finds that the transaction to be made is in accordance with law, is in the public interest, and approves the purposes thereof. The Board HEREBY AUTHORIZES Petitioner issue and sell short-term obligations not exceeding \$2.0 billion aggregate principal amount at any one time outstanding, all as hereinabove described.

This Order is issued subject to the following provisions:

1. This Order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
2. This Order shall not affect or in any way limit the exercise of the authority of this Board, or of this State, in any future petition or in any proceeding

with respect to rates, franchises, service, financing, accounting, capitalization, depreciation or in any other matters affecting the Petitioner.

3. The authority granted in this Order shall become null and void and of no effect with respect to any portion which is not exercised by January 2, 2003.

DATED: December 21, 2000

BOARD OF PUBLIC UTILITIES
BY:

[SIGNED]
HERBERT H. TATE
PRESIDENT

[SIGNED]
CARMEN J. ARMENTI
COMMISSIONER

[SIGNED]
FREDERICK F. BUTLER
COMMISSIONER

ATTEST:

[SIGNED]
FRANCES L SMITH
BOARD SECRETARY